

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Tony Hammond, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Nanci E. Langley

Competitive Product Prices
Priority Mail
Priority Mail Contract 189

Docket No. MC2016-83

Competitive Product Prices
Priority Mail Contract 189 (MC2016-83)
Negotiated Service Agreement

Docket No. CP2016-108

Public Representative Comments On
Postal Service Priority Mail Contract 189

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 3117.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's request to add Priority Mail Contract 189 to the competitive products list.

¹ Docket No. MC2016-83_CP2016-108, PRC, Notice And Order Concerning The Addition Of Priority Mail Contract 189 To The Competitive Product List, February 29, 2016.

II. BACKGROUND

The Postal Service's Request² includes a Statement of Supporting Justification (Statement), a certification of compliance with 39 U.S.C. § 3633(a), a public (redacted) version of Governor's Decision No. 11-6 and related analysis, a public version of Priority Mail Contract 189, and proposed changes to the Mail Classification Schedule (MCS). The Postal Service also filed under seal an unredacted version of Governor's Decision No. 11-6, the contract, and a supporting financial model estimating the coverage of the contract during the first year.

The Postal Service states that Contract 189 is a competitive product featuring prices "not of general applicability" within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The Postal Service also maintains that the classification and prices applicable to Contract 189 are authorized by Governors' Decision No. 11-6. *Id.* The Postal Service further asserts that the Statement provides support for adding Contract 189 to the competitive product list and the compliance of Contract 189 with 39 U.S.C. § 3633(a). Request at 2; *Id.*, Attachment D.

To support its Request, the Postal Service filed a copy of the contract (Contract), a copy of the Governors' Decision authorizing the product, proposed changes to the Mail Classification Schedule, a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. 3633(a), and an application for non-public treatment of certain materials. It also filed supporting financial workpapers.

The Agreement is intended to take effect two business days following the day on which the Commission issues the necessary regulatory approvals. Contract at 3. The Agreement offers discounted domestic rates for certain categories of Priority Mail Commercial Plus provided the partner's qualifying mail reaches a certain minimum annual level of volume. The volume commitment is less than the current volume of the proposed partner. There are also charges for certain ancillary services.

² Request of the United States Postal Service to Add Priority Mail Contract 189 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, February 26, 2016 (Request).

III. PUBLIC REPRESENTATIVE COMMENTS

The Agreement contains the same features as other Priority Mail NSAs. The Public Representative finds it functionally equivalent to other competitive Priority Mail NSAs. Although the Commission's rules do not require competitive NSAs to be structured so as to increase volumes, the Public Representative, nevertheless, finds it mildly concerning that the volume commitment is slightly below the partner's current volume.

The Postal Service's Contract provided the discounted prices which will apply during contract's first year from the beginning of the effective date. As has been the case for other functionally equivalent contracts, the Contract allows price increases for subsequent years, according to criteria the Commission has accepted in functionally equivalent Priority Mail NSAs.

The Public Representative has examined the financial spreadsheets provided by the Postal Service in support of this NSA. The spreadsheets show the revenue expected using discounted prices, current partner volumes, and expected costs to produce and deliver the volumes covered by the proposed contract. The formulas which calculate expected revenues and costs are nearly identical to functionally equivalent Priority Mail NSAs, and expected revenues more than sufficiently exceed expected costs of the NSA.

IV. Conclusion

The Public Representative concludes that the proposed NSA meets all of the requirements for the Commission to accept it. The only deficiency of the Agreement is its failure to address the recommendations made in the Government Accounting Office (GAO) NSA Evaluation Report, which the Commission supported.³ The GAO recommended that the Postal Service discuss specific data collection methods or analytical processes for estimating the net financial results of the proposed NSA. *Id.*, at

³ Government Accounting Office, *U.S. Postal Service Opportunities to Increase Revenue Exist with Competitive Products; Reviewing Long-Term Results Could Better Inform Promotions Decisions*, GAO-13-578, June 2013.

29. The Public Representative finds the spreadsheets provide an appropriate method of estimating the net financial results of the proposed NSA, but does not discuss data collection methods which might allow the Commission to better analyze the annual performance of this and other NSAs in its Annual Compliance Determination.

Respectfully Submitted

Lawrence Fenster /s

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